

NCUA LETTER TO FEDERAL CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION 1775 Duke Street, Alexandria, VA

DATE: October 2002 **LETTER NO.:** 02-FCU-14
TO: All Federal Credit Unions
SUBJ: Volunteer Income Tax Preparation for Credit Union Members

DEAR BOARD OF DIRECTORS:

The National Credit Union Administration (NCUA) through its ongoing efforts with the Access Across America initiative has joined with the Internal Revenue Service (IRS) in an effort designed to encourage credit unions to participate in enhanced outreach efforts by bringing education and tax assistance to their members and families. Recently, the NCUA and IRS formally endorsed their partnership by entering into a Memorandum of Understanding which will help facilitate this effort.

Credit unions are encouraged to review their business plans and determine whether the establishment of IRS Volunteer Income Tax Assistance (VITA) sites, which offer free tax preparation services and free electronic filing for credit union members and families, may benefit their membership. The IRS uses VITA, in conjunction with increased awareness of the Earned Income Tax Credit (EITC), asset-building opportunities and financial education services, to provide numerous benefits to credit unions and their members.

If a credit union determines that participation with the IRS is right for them, the participating credit union would need to determine whether a VITA site could be located in their office space or an alternate location in the community. The participating credit union will then need to establish contact with federal and local organizations and the local IRS territory office prior to December 2002. The IRS provides free software and training for the VITA volunteers in December so the site will be fully operational in early January 2003.

The credit union member may visit the VITA site for free tax preparation services and may qualify for the EITC. The EITC is a refundable federal tax credit for low-income workers, providing up to \$4,140 per year based on family size and income. The Government Accounting Office (GAO) estimates that as many as 25 percent of eligible working families do not currently claim the credit they may

be entitled to receive. Members are made aware of the benefits of using part or all of their refund to take advantage of credit union products and services.

This program can help to facilitate credit unions in their efforts to provide low or no cost savings accounts and financial literacy training to new and existing members. Some of the many benefits for credit unions include:

- Potential increase in credit union membership;
- Increased goodwill through member benefits and outreach to potential members;
- Continuing Professional Education credits for qualified volunteers who receive VITA training; and
- Financially educated members are better prepared to properly manage their accounts.

Several credit unions across the nation have successfully participated in the IRS initiative and others are currently in the initial planning stages to host a new site for the upcoming filing season.

For further information about participating in the VITA initiative, please contact the IRS, via e-mail, at www.partner@irs.gov. Written inquiries may be sent to: Internal Revenue Service, 401 W. Peachtree Street, Atlanta, Georgia 30308, Attn: Beverly Thomas (Stop 49-WI). Please include primary and alternate contact names and telephone numbers with all inquiries.

Sincerely,

/S/

Dennis Dollar
Chairman